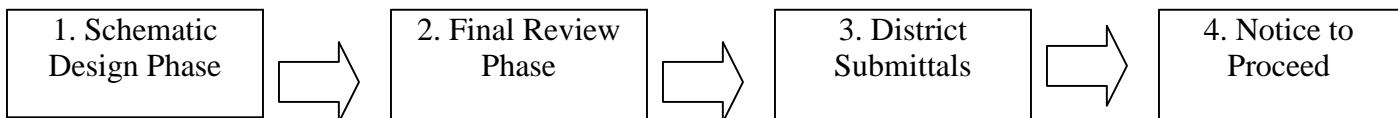


## V. SFB New Construction

Per ARS 41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona administrative procedure act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under Arizona Revised Statutes section 41-1033 for a review of the statement.

***Section 15-2041, Arizona Revised Statutes, provides for school district governing boards to develop and annually update a capital plan. If the capital plan indicates a need for a new school or an addition to an existing school within the next four years, the school district is to submit the plan to the School Facilities Board.***

Once the district has an approved capital plan, they may begin designing the school. The process is as follows:



### **1. Project Schematic Design Phase**

1. Two budget review meetings are held between SFB and district officials for schematic design and design development.

### **2. Final Review Phase**

2. District submits final bid documents for review
3. Staff reviews ADM once more to ensure need for a facility
4. Request goes to Board for final approval

### **3. District Submittals**

1. District submits copy of local and/or state grading, fire marshal, and building permits
2. District submits governing board resolution for additional funds (if applicable)
3. District provides full/complete PDF specification and document drawings, copy of sealed construction documents used to obtain verification of proper building permits for school on electronic CD

### **4. Notice to Proceed**

1. Director sends a letter to the District giving approval to proceed with construction. (Letter will include memorandum on payment process, payment request and payment request schedule.)

## **A. Process and Procedures for Reviewing New Construction Requests Received Through Capital Plans**

1. Project Specifications: A school district that receives approval for additional square footage from the Board will proceed with the design development plan and specifications for the project. Two copies of the proposed educational goals or specifications and schematic design, with budget estimates are required to be submitted to the Board's staff. Each item should be submitted by the school district to Board staff as completed. The items required to be included in the estimated budget are all elements of new construction, excluding land acquisition. These elements include, but are not limited to (1) architectural and engineering fees; (2) survey, testing, permits, advertising and printing; (3) construction costs; (4) furniture, fixtures and equipment; (5) any necessary project management and (6) a five percent contingency amount. After Board staff review, the school district shall proceed with a preliminary bid package.
2. Board Authorization to Proceed: Upon review of the submitted schematic design, budget estimates and preliminary bid package, the Board's staff will make a recommendation to the Board regarding the appropriateness of the school district to proceed with the additional square footage and the efficiency and effectiveness of the plan. The Staff recommendation is based on whether the project is within the original scope and Board approved budget (including square footage and number of students), the project meets the building adequacy standards, initial comments from the local building authority and whether updated student population projections continue to justify the additional square footage. If the Board approves the project, the school district is authorized to proceed with the final bid package. Prior to authorization to contract the school district will have documented that it has obtained local (city, county or equivalent) building department approval. For projects outside of the original scope and/or Board approved budget or that do not meet the minimum adequacy guidelines, staff may instruct the school district to resubmit the project. Staff may make an alternative recommendation to the Board. Local funds may be used by the school district in conjunction with the Board approved funding.
3. Final Authorization to Contract: Upon receipt of bids by the school district, staff may authorize the district to proceed with the contract if the school district has documented that it has obtained local (city, county or equivalent) building department approval. If the bid is outside of the original scope, exceeds the Board approved budget or does not meet the building adequacy standards, staff may make an alternative recommendation to the Board. . Local funds may be used by the school district in conjunction with the Board approved funding.
4. Distribution of Funds: After a school district has received notification and agreed to the Terms and Conditions , the Board will provide five percent of the monies approved for architectural and engineering fees. The individual school district is responsible for establishing the actual A&E amount.
5. After a school district has received final authorization to contract, additional monies will be distributed. Payments will be made on a timely basis based upon the school district's need supported by documentation from the district.

If a school district can establish that it will receive funds from the new school facilities fund in excess of what it will cost to complete the project in accordance with the building adequacy standards, the school district can access those surplus funds prior to the completion of the project in order to implement change orders OR OTHER EXPENDITURES to exceed the original scope of the project upon receiving approval of the Executive Director if the request is under \$1.0 million, or the approval of the Board if the request is \$1.0 million or over.

Further distribution of funds will be made after the Board's staff has received, reviewed and approved the permits (local and/or State Grading, Fire Marshal, and Building) and the specifications and document drawings of the sealed construction documents used to obtain the permits. Staff will load the full project funding to include: base, contingency, additional, district and any other funding.

District funding is only loaded if the district is participating in the funding of the project. This may occur at the onset of the project or when the project is underway and the district adds work to the project for which the SFB has not or cannot provide funding.

To obtain funding, the district submits invoices and/or pay applications along with the New Construction Funding request form. The form must include the complete project number to assure that the costs are appropriately credited.

Change Orders - If during the project it becomes necessary for a change order to be issued, the change order must be submitted to the district's SFB liaison for approval. Upon receiving approval the funds will be moved from the contingency line item (or wherever it is appropriate) to the base so that costs can be charged against it. If the change order is strictly a district cost, funding will be added to the district line to account for that cost.

Cost Sharing – Due to the type of project required and the statutory limitations on the SFB, the district may have elected to participate in the cost of the project. This will result in a percentage split. The percentage assigned to the district is based on the proportionate share of the base, contingency and district funding, that is, the total cost of the actual construction of the project. If during the project, the funding distribution changes, the percentage charged to the district will also be adjusted. When a bill is submitted that falls into this category, the district percentage is computed against the entire bill and the costs is distributed accordingly. The split of the funding is recorded and only the SFB portion of the costs is electronically transmitted to the district.

### **B. Policy on Project Management Services for New Construction**

A school district that does not have the experience or resources to successfully oversee a new school construction project may request technical support from the School Facilities Board in the form of project management pursuant to A.R.S. § 15-2002(13).

If the Board approves the school district's request, the school district shall agree to reimburse the Board from its allocated funds for the cost of any independent contractors that the Board uses to provide the project management services.

A.R.S. § 15-2041 (D) to reflect that if the Board modifies the cost per square foot award based on geographic or site conditions, and a district has utilized project management or preconstruction

services for the project, the Board may deduct the cost of these services from the additional monies awarded the school.

However, if the school district demonstrates in writing to the Board's satisfaction that the school district does not have the experience or resources necessary to successfully complete the new school construction project, the Board may provide the school district with monies to pay for the project management services in addition to the monies the school district receives pursuant to the statutory formula prescribed by A.R.S. §15-2041.

- 1.
2. The cost of the project management shall be made a part of the overall cost of the new school, and those funds shall be derived from the total allocation for the project provided by the School Facilities Board.
3. Should the district funds satisfy the base cost of the new school plus the cost of project management, then the School Facilities Board will not provide any additional funds.
4. In the event that a school district does not request project management services, but in the opinion of the staff of the School Facilities Board the project is in jeopardy without such professional systems, the executive director may notify a district that the project requires the use of private management services and the district's allocation shall be assessed for costs incurred for these services.

### **C. Architectural Fee Guidelines** (Adopted January 1999)

These guidelines are to be used to determine the Lump Sum Architectural & Engineering (A&E) fees for "Basic Services" for all SFB projects, including both New Construction and Deficiency Correction projects. \*\* These are guidelines, not a schedule \*\*.

The A&E fee for an individual project should be determined by both the difficulty and the estimated cost of the project. In New Construction projects, the fee should be determined by the square foot times the formula cost of the planned facility or project (Construction Cost) multiplied by a factor determined by the size and complexity of the scope of the project. See below both "Project Types" (to determine the difficulty of the project) and the "Fee Guidelines Multiplier" (for the percentage multiplier) to determine the project's fee.

Basic Services: The architectural contract should identify and include all of the services necessary to design and construct the project under "Basic Services" without any hidden or unknown cost. The services to be included as part of the contract as "Basic Services" shall consist of architectural, structural, mechanical, electrical, civil, and landscape design. The descriptions of these services are described in the American Institute of Architect (A.I.A). Document B141, "Standard Form of Agreement Between Owner and Architect (1987 Edition)", Article 2, and Add, Modified and/or Delete paragraphs 2.6.5, 2.6.5.1, 2.6.15.1, 3.2, 3.2.1, 3.2.2, 3.2.3, 3.3.1.2, 3.3.1.3, 3.3.3, 3.3.4, 3.3.6, 3.3.9, 3.4.1, 3.4.4, 3.4.9, 4.6.1, 4.6.1.1, 5.2.2, 5.2.3, 8.6, 8.7.1, 8.7.2, 8.7.3, 10.2.1.1, 10.2.1.2, 10.2.1.4, 10.2.1.6  
(Please REFER TO the SFB provided ENCLOSED SAMPLE DOCUMENT).

Lump Sum Fee: This is a fixed A&E fee that is based on a percentage of the estimated cost of construction for the approved project specified for a defined scope of work.

## New Construction

**Construction Cost:** The cost of construction includes the cost of the construction of the building, site improvements, and all fixed and installed equipment. It does not include Furniture, Fixtures & Equipment (FF&E), testing, surveys, permits, land cost, studies, contingencies, or A&E fees.

### Project Types:

**Group A - MORE THAN AVERAGE COMPLEXITY PROJECTS:** New complex stand-alone facilities such as special purpose classrooms, laboratory classrooms, libraries, auditoriums, and food service facilities.

**Group B - AVERAGE COMPLEXITY PROJECTS:** Total facilities such as new elementary schools, middle schools, high schools, or large additions to existing facilities.

**Group C - LESS THAN AVERAGE COMPLEXITY PROJECTS:** New less complex stand-alone facilities such as warehouses, maintenance facilities, bus barns, offices, and storage facilities or any repetitive design use of a facility.

**Group D - REPAIRS AND RENOVATIONS:** Miscellaneous repairs and renovations, alterations to facilities, code corrective work or upgrades, system replacements, etc.

### Fee Guideline Multiplier:

Construction Cost:	Group A	Group B	Group C	Group D
\$ 0 to \$ 100,000	8.8%	7.9%	7.2%	8.9%
\$ 100,000 to \$ 400,000	7.8% - 8.8%	7.2% - 7.9%	6.6% - 7.2%	8.3% - 8.9%
\$ 400,000 to \$ 1,000,000	7.2% - 7.8%	6.7% - 7.2%	6.2% - 6.6%	7.8% - 8.3%
\$ 1,000,000 to \$ 4,000,000	6.3% - 7.2%	6.0% - 6.7%	5.7% - 6.2%	7.2% - 7.8%
\$ 4,000,000 to \$10,000,000	6.0% - 6.3%	5.5% - 6.0%	5.3% - 5.7%	6.8% - 7.2%
\$10,000,000 to \$20,000,000	5.5% - 6.0%	5.5% - 6.0%	5.0% - 5.3%	5.7% - 6.8%
\$20,000,000 and above	5.5% - 6.0%	5.5% - 6.0%	4.3% to 5.0%	Up to 6.0%

### FEE FORMULA:

Estimated Construction Cost \_\_\_\_\_ x Multiplier \_\_\_\_\_ % = Fee

### Notes:

The higher the Construction Cost in each range, the multiplier percentage should be proportionally lower.

Districts in remote areas and/or with high cost per square foot should not use a higher multiplier percentage than normal. The increased cost per square foot difference automatically increases the fee to cover the additional cost of travel. Since most of the architects' offices and their consultants are in urban areas, the cost to design and produce the contract documents would be the same as if the project were in the same city. See example below for a 750 student elementary school.

### City:

750 x 95 S.F/ student. = 71,250 S.F.  
71,250 S.F. x \$85 / S.F. = \$6,056,250  
\$6,056,250 x 5.7% = \$345,206 = Fee

### Rural:

750 x 95 S.F/ student. = 71,250 S.F.  
71,250 S.F. x \$125 / S.F. = \$8,906,250  
\$8,906,250 x 5.6% = \$498,750 = Fee

## **D. Alternative Delivery Methods**

Per ARS §15-2041 M, until the state board of education and the auditor general adopt rules pursuant to §15-213, subsection J, the school facilities board may allow school districts to contract for construction services and materials through the qualified select bidders list method of project delivery for new school facilities pursuant to this section.

## **E. Closeout Procedures**

Districts shall be considered to have reached the substantial and/or final completion stage upon submitting to the School District's ASFB Liaison the required documentation by providing the following:

1. Certificate of Occupancy from the Local Building Department.
2. Architect's Certificate of Substantial Completion.
3. Final request for payment (must contain all pages and complete schedule of values) from the contractor and certified by the architect the project has zero dollars remaining to be paid to the General Contractor for construction.
4. Superintendent's letter statement of assurance that the facility was built according to SFB state guidelines including the installation of all required FF&E. Note – Letter requires superintendent's signature.
5. (IF APPLICABLE) Fire Marshal's Certification that installed, SFB funded, Water Tank is adequate to provide fire protection at the listed school facility.
6. Provide full/complete PDF (specification) and PDF (plan drawings) Construction Document copy on electronic compact disk. Label each 'disk' copy with School District Name, School Name, SFB Project Number.
  - a. Required Documents include: Architectural, Structural, Civil, Electrical, Mechanical and Plumbing, Landscape, Kitchen Design, drawing documents and written specifications that were reviewed and approved for building permit.
7. All documents sent to SFB, must contain for each project the following at or near the top of each sheet:
  - a. The SFB Project Number.
  - b. The full School District Name and full address
  - c. New School Facility Name and Grade Level and Full Address with Zip Code.
8. On site walk-through by SFB, shall verify that one computer per 8 students, based on the approved SFB occupancy of the facility, and all other FF&E has been installed
9. On site walk-through by SFB, shall verify and ask the librarian for assurance that 10 new library books per student, based on the approved SFB occupancy of the facility, has been installed in the library

## **F. Policy on Project Balance Funds for New Construction** (Adopted November 6, 2003)

ARS 15-2041 I. If a school district has surplus monies received from the new school facilities fund, the school district may use the surplus monies only for capital purposes for the project for up to one year after completion of the project. If the school district possesses surplus monies from the new school construction project that have not been expended within one year of the completion of the project, the school district shall return the surplus monies to the school facilities board for deposit in the new school facilities fund.

1. Current budgeting procedures including the three to five percent project contingency set aside will continue under existing rules.
2. The “one-year” period will be counted from the date of substantial completion as certified by the architect of record.
3. Dollars that are legally obligated by either a contract or a purchase order will be deemed spent.
4. Districts must obtain approval from the School Facilities Board Executive Director prior to expending any funds under this section. The district may appeal to the School Facilities Board Chairman for a review by the full Board if there is a dispute between the Executive Director and the district regarding the appropriateness of an expenditure.
5. The Executive Director may approve appropriate design fees for a proposed project.
6. Approved purposes will be any capital item on the project site. This includes soft capital items (as defined by A.R.S. 15-962), landscape improvements, athletic facilities, administrative space for the project, additional academic space, etc.
7. If soft capital items are purchased, the district must certify that the item will be used at the project site for at least three-years.
8. If square footage is constructed (either academic or administrative) that space will be counted as visible space for future new school facility calculations.
9. Districts may access project balance funds for on site capital purposes after the construction contract has been awarded.
10. Districts may access contingency funds for capital purposes once substantial completion is received.
11. If a district contributes dollars to the project in excess of the contingency balance at project closeout, the remaining contingency amount will be released to the district as a reimbursement.

## **G. Funding Amounts per Square Foot**

<b>Grade Level</b>	<b>Urban as of 9/21/04</b>	<b>Rural as of 9/21/04</b>
K-6	103.56	108.74
7-8	109.32	114.79
9-12	126.58	132.91
K-8	104.92	110.17
4-8	105.87	111.16
5-8	106.44	111.76
6-8	107.40	112.77
7-9	115.07	120.83
K-12	111.85	117.44
7-12	120.83	126.87
5-12	116.51	122.34

## **H. Policy on Inflation Adjustments** (Adopted February 2005)

Based on an Attorney General's Opinion No I04-011, the Board has the authority to increase project awards for inflation if "good cause exists." This policy requires the following steps

1. Project construction schedule delayed for more than one year.
2. District outlines good and sufficient reasons for the delay.
3. The District has demonstrated the delay is likely to increase the cost of the project to the point the district cannot complete the approved project within the original budget.

To supplement the original policy in consideration of the A.G. Opinion, the following steps will be used to determine if "the district has demonstrated the delay is likely to increase the cost of the project to the point the district cannot complete the approved project within the original budget."

1. Staff review of construction plans and other contracts to determine if value-engineering or renegotiation opportunities exist. This would include the removal of non-minimum guideline upgrades and could include removal of funding for discretionary non-construction contracts. This step would generally take place during the design phase of the project to minimize the cost of redesign.
2. Require the district to employ a traditional design-bid-build procurement system.
3. If bids are still over the original budget, determine if re-bidding the project is appropriate.

If the district completes the above steps and is unable to build the project, staff would seek additional funds from the SFB. If additional dollars were provided, any dollars remaining at the end of the project, i.e. unused contingency would be returned to the SFB to offset the cost of the additional dollars.

## **I. Reporting Requirements**

By October 15, each district shall report:

1. The projects funded at each school in the previous fiscal year with monies from the district new school facilities fund.
2. An accounting of the monies remaining in the new school facilities fund at the end of the previous fiscal year.

Forms are shown in *Exhibit Item V.I.*